

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

**Release Number: 201205018  
Release Date: 2/3/2012  
Date: November 8, 2011**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

B= county  
C = county  
D = county  
E = county  
F= business  
X= scholarship  
Y= university  
Z = city, state

UIL  
4945.04-04

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated March 28, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program called X.

The purpose of X is to provide financial assistance to needy students who want to improve the quality of their lives through the pursuit of education.

You will partner with Y provide both merit and financial based scholarships. Y is a university located in Z.

Academic scholarships are based solely on merit. Academic scholarships are awarded to first-time freshman at Y who have achieved a minimum 21 ACT composite and a 3.00 cumulative GPA. Academic scholarships are awarded for a four year period and may be renewed as long as the recipient maintains a 3.0 cumulative GPA and completes 30 semester hours per academic year.

Need based scholarships are based on an applicants financial need. Financial need is determined by federal guidelines using an expected family contribution. An applicant with an expected family contribution no greater than \$15,000 is considered needy.

Additionally, candidates must be residents of B, C, D or E. Students are encouraged to complete a scholarship application. The application process requires the applicant to submit a resume, essay, transcript of academic credentials, and completion of the Free Application for Federal Student Aid (FAFSA).

The grant award process will include student interviews, student applications, verification of course and grade point average, personal essays, and other civic and extracurricular activities to evaluate and record the qualifications of potential grantees.

You anticipate approximately 35, 45 and 90 applicants in your first three years, respectively. You plan to award at least four scholarships in the first and second years, and at least eight the third year.

A selection committee, comprised of nine locally based individuals, is responsible for selecting the recipients of your scholarships. This committee includes your members, as well as the Dean of Enrollment Management, Assistant Director of Admissions and Admission Recruiters at Y.

Your selection committee insures non-biased decisions through the commitment to your original trust to make financial assistance available to needy and merit based candidates. Committee members have served in the local communities and have a connection with Y. The committee will leverage its varied gifts, resources and diversity along with collaboration with Y's scholarship foundation committee to insure non-biased decisions are made.

No relatives of members of your selection committee, or of your officers, directors or substantial contributors are eligible for awards made under your program.

After applications are reviewed, and recipients have been selected, each recipient is mailed a scholarship offer. The offer outlines the scholarship guidelines and Y's scholarship policy. It also requires the student to accept or decline the scholarship offer. Once the scholarship acceptance has been received, all scholarship awards are managed through Y's database, which allows for yearly monitoring of eligibility. Should you learn that the scholarship recipient has used funds for purposes other than the pursuit of stated educational purposes, the file will be noted and all awards will be cancelled. Should you receive a notice that the scholarship recipient has decided to exit the program, the award will be cancelled.

You will maintain student identification records at the office of F, a local accounting service. Records will contain the amount and purpose of each grant and other follow-up data obtained in administering grants.

You will organize and conduct periodic process and activity reviews involving your trustees and the Director of Grants and Scholarships at Y. Grants will be assigned to Y as "agent" to ensure payments are considered, they are paid to individuals and that they are designated for educational travel, study or other similar purposes by such individuals. This process will include the review of a candidate's academic grade reports, financial needs and personal essays.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that

such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations

Enclosures  
Notice 437  
Redacted letter